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180 South Clinton Avenue  
Rochester, NY 14646

March 16, 1997

Mr. John Ricker, Director  
Universal Service Programs  
Universal Service Administrative Company  
100 South Jefferson Road  
Whippany, New Jersey 07981

Dear Director Ricker:

This letter is submitted to provide a correction in the amount of Lifeline state assistance previously submitted on behalf of Frontier Communications of the South, Inc. in a letter dated December 23, 1997. The information was submitted in response to the October 27, 1997 letter from the Universal Service Administrative Company ("USAC"), and pursuant to the requirements established by the Federal Communications Commission in its May 8, 1997 Report and Order in CC Docket No. 96-45 and the September 29, 1997 Public Notice, DA 97-1892.

Effective on April 1, 1998, the revised amount of Lifeline state assistance for Frontier Communications of the South, Inc. is \$3.50 per low income consumer. As indicated in the attached order, the Florida Public Service Commission in Docket No. 970744-TP, has authorized an additional state reduction of \$1.75, which results in a total state reduction of \$7.00.

Should you have any questions or require additional information, please feel free to contact Kelly Goodnight at (716) 777-7793.

Sincerely,



Juliana C. Janson  
Acting Manager - Regulatory Matters  
Frontier Telephone Group

Attachment

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Office of the Secretary  
CC Docket No. 96-45  
Federal Communications Commission  
Room 222  
1919 M Street N.W.  
Washington, D.C. 20554

Ms. Sheryl Todd  
Federal Communications Commission  
Universal Service Branch  
CC Docket No. 96-45  
8th Floor  
2100 M Street N.W.  
Washington, D.C. 20554

Mr. Walter D'Haeseleer  
Division of Communication  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

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FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

**M E M O R A N D U M**

January 22, 1998

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF COMMUNICATIONS (MARSH)  
DIVISION OF LEGAL SERVICES (COX)

**RE:** DOCKET NO. 970744-TP - IMPLEMENTATION OF CHANGES IN THE FEDERAL LIFELINE ASSISTANCE PROGRAM CURRENTLY PROVIDED BY TELECOMMUNICATIONS CARRIERS OF LAST RESORT

**AGENDA:** 02/03/98 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE.

**SPECIAL INSTRUCTIONS:** S:\PSC\CMU\WP\970744A.RCM

**CASE BACKGROUND**

The FCC instituted several changes to the Lifeline Assistance Plan (Lifeline) in its Report and Order on Universal Service (CC Docket No. 96-45, FCC Order 97-157, released May 8, 1997) (Order). Some of the changes were adopted to make the program consistent with the Telecommunications Act of 1996 (the Act), particularly with regard to competitive neutrality. The previous Lifeline program was a function of jurisdictional separations and applied only to incumbent LECs; thus, it was not competitively neutral. Other changes were instituted in an attempt to increase subscribership levels among low-income consumers.

Beginning January 1, 1998, baseline federal support equal to the \$3.50 Subscriber Line charge (SLC) is available in all states, the District of Columbia, and all territories and possessions, regardless of whether any intrastate support is provided. An additional \$1.75 is available in states that approve it, with no state matching required. The federal jurisdiction also provides additional Lifeline support equal to one-half of any intrastate support, up to an additional \$1.75. Thus, a total of \$7.00 in federal universal support can be received for each Lifeline subscriber, with a state match of \$3.50.

By Order No. PSC-97-1262-FOF-TP, issued October 14, 1997, the FPSC adopted the initial \$1.75 that required state approval, but not support. However, the FPSC did not adopt the remaining \$1.75 because,

due to language contained in the FCC's order, it was not clear whether Florida's Lifeline program qualified as providing state support. On October 19, 1997, the FPSC filed a petition with the FCC, asking for clarification. Subsequently, on October 30, 1997, the Office of Public Counsel (OPC) protested the FPSC's decision not to adopt the \$1.75 pending further guidance, and requested a Section 120.57(2) hearing on the matter. OPC also filed ex parte comments with the FCC regarding the FPSC's petition. The FCC addressed the petition in its Fourth Order on Reconsideration in CC Docket No. 96-45, In the Matter of Federal-State Board on Universal Service, issued on December 30, 1997. In that order, the FCC agreed that Florida's Lifeline program meets the requirements for state matching.

This recommendation addresses remaining Lifeline implementation issues, including the adoption of the final \$1.75 in federal support, OPC's protest, and Lifeline and Link Up eligibility requirements.

## **DISCUSSION OF ISSUES**

**ISSUE 1:** Should the FPSC adopt the final \$1.75 of FCC Lifeline support that requires state matching?

**RECOMMENDATION:** Yes. Staff recommends that the \$1.75 requiring state matching of \$3.50 should be adopted. Tariffs incorporating this change should be filed to be effective April 1, 1998. (MARSH)

**STAFF ANALYSIS:** As discussed in the Case Background, the federal universal service fund will provide an amount equal to one half of any support generated from the intrastate jurisdiction, up to \$1.75. Approval of this portion of the plan would bring total federal Lifeline support for Florida Lifeline subscribers to \$7.00. In other words, if the state supports \$3.50 per Lifeline consumer, the federal jurisdiction will provide another \$1.75 above the \$5.25 (\$3.50 + \$1.75) baseline amount. This is further demonstrated in Table 1.

**TABLE 1**

### **Levels of Lifeline Support**

\$	Baseline federal Lifeline support.
3.50	
+	Additional baseline federal Lifeline support if
1.75	state approves reduction in the portion of the
	intrastate rate paid by the end user.
\$	Total support available without any state
5.25	contributions (state must approve rates).
	Additional federal Lifeline support is
	available equal to half of any support from the
	intrastate jurisdiction, up to a maximum of
	\$7.00 of total federal support. I.e., state
+	support of \$3.50 generates additional federal
1.75	support of \$1.75. This generates the maximum
	federal support available.
\$	Maximum federal support available.
7.00	
+	State support needed to maximize federal
3.50	support.
\$10.5	Total Lifeline support possible.
0	

On October 19, 1997, the FPSC filed a petition with the FCC asking for clarification as to whether Florida's Lifeline program qualified as providing state matching for purposes of receiving federal funds. On December 30, 1997, the FCC responded:

Consistent with the [FCC s] earlier finding that we should not prescribe the methods that states use to generate intrastate Lifeline support in order to qualify for federal support, we conclude that, although all carriers are not required to contribute to Florida s Lifeline support mechanisms, Florida s Lifeline program nevertheless qualifies as providing intrastate matching funds. (Fourth Order on Recon., ¶132)

Staff believes the adoption of the remaining \$1.75 is to the benefit of Lifeline subscribers in this state. The amount is supported through the federal Universal Service fund, so that Eligible Telecommunications Carriers (ETCs) will receive reimbursement for the amount, along with other Lifeline support. The ETCs tariffs should be revised to include a credit to intrastate rates for Lifeline subscribers. However, at no time should the customer s rate be less than zero.

Upon adoption of the rate reductions for Lifeline, states must notify the Universal Service Administration Company (USAC) of the decision, and provide a copy of the order. ETCs receive reimbursement for the federal portion through USAC. To allow coordination of funding with USAC, we believe it is appropriate for ETCs to begin providing the additional reduction to customers beginning April 1, 1998.

Staff recommends that the \$1.75 requiring state matching of \$3.50 should be adopted. Tariffs incorporating this change should be filed to be effective April 1, 1998.

**ISSUE 2:** Should the FPSC dismiss OPC s petition requesting a Section 120.57(2) hearing on the Lifeline provisions?

**RECOMMENDATION:** Yes. With the approval of the final \$1.75 of federal support, the FPSC will have addressed all issues raised by OPC s petition. Therefore, that petition is moot and should be dismissed. There is no further action needed to address OPC s petition. (MARSH)

**STAFF ANALYSIS:** On October 30, 1997, OPC filed a protest of the Proposed Agency Action contained in Order No. PSC-97-1262-FOF-TP, issued October 14, 1997. OPC contended that the order adversely affects the substantial interests of the Citizens by failing to pursue an available \$1.75 in federal matching funding for Lifeline subscribers. The petition asked for hearing on two points. First, does Florida s Lifeline Assistance Plan meet federal requirements for matching funds? Second, should the FPSC seek an additional \$1.75 per Lifeline customer in Lifeline funding? The petition added that the protest was not intended to affect any other portion of Order No. PSC-97-1262-FOF-TP.

On October 19, 1997, prior to the filing of OPC s petition, the FPSC filed a Petition for Declaratory Statement, Waiver and Clarification with the FCC regarding the specific questions that OPC later asked for hearing on, as well as other issues on Lifeline implementation. At the same time it filed its petition with the FPSC, OPC also filed ex parte comments with the FCC regarding our petition. In those comments, OPC provided invaluable support to aid the FCC in finding that Florida s Lifeline Assistance Plan does indeed meet federal requirements for matching funds.

On December 30, 1997, the FCC ruled on our petition, as discussed in Issue 1. While the FCC appeared to have reservations about the competitive neutrality of Florida s Lifeline program, the FCC nevertheless agreed that our program meets the matching requirements for Lifeline participation. As a result, staff recommended in Issue 1 that the final \$1.75 of federal Lifeline support be approved.

Accordingly, with the approval of the final \$1.75 of support, the FPSC will have addressed all issues raised by OPC s petition. Therefore, that petition is moot and should be dismissed. There is no further action needed to address OPC s petition.

**ISSUE 3:** Should the FPSC adopt additional eligibility requirements for Lifeline and Link Up?

**RECOMMENDATION:** Yes. Staff recommends that the successor of Aid for Families with Dependent Children (AFDC), now called Temporary Aid for Needy Families (TANF), and programs included under it continue to be used to determine eligibility for Lifeline and Link Up. In addition, staff recommends that Federal Public Housing Assistance (Section 8) and Low-Income Home Energy Assistance Program (LIHEAP) be added to the eligibility criteria for Lifeline and Link Up. These eligibility standards should be included in tariffs to be effective April 1, 1998. (MARSH)

**STAFF ANALYSIS:** One of the provisions of the federal Lifeline and Link Up plans is that states that provide matching Lifeline funds may set eligibility requirements. If states do not provide matching funds, eligibility standards are set by the FCC. The FCC's default eligibility standards in non-participating states include Medicaid, food stamps, Supplementary Security Income (SSI), federal public housing assistance (often called Section 8), or Low Income Home Energy Assistance Program (LIHEAP). Aid to Families with Dependent Children (AFDC) was excluded from the federal standards.

Since its inception, Florida's Lifeline and Link Up programs have used AFDC, Medicaid, food stamps, and SSI as eligibility standards for Lifeline. Link Up provides a reduction in connection fees to qualifying subscribers. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 replaced certain federal public assistance programs, including AFDC, with one program called Temporary Assistance to Needy Families (TANF). This program took effect July 1, 1997. In Florida, the TANF-funded programs are administered through the Department of Children and Families. Eligibility is based on income level.

We believe that it is appropriate to continue using these standards to determine eligibility for Lifeline and Link Up. All of the programs remain reliable indicators of income levels among participants. In addition, staff believes that, due to low subscribership levels in Florida's Lifeline program, it is appropriate to adopt additional standards. Both federal public housing assistance and LIHEAP are part of the FCC's eligibility requirements and both appear to be appropriate indicators of income levels. LIHEAP is administered through the state Department of Community Affairs, in conjunction with local governments and social service agencies. As with other programs, eligibility for LIHEAP is based on income level. All state plans receiving federal funding from these programs should serve as eligibility indicators for Lifeline and Link Up.

Other programs have been proposed for consideration as Lifeline and Link Up eligibility standards. Examples include the free school lunch program, free health services at county health clinics, state-subsidized child care, nutritional assistance to pregnant women and young children at nutritional risk, and services offered by area councils on aging, where low participant co-payments indicate low income. While staff does not recommend inclusion of these programs at this time, they appear to be programs that we may wish to consider in the future, if Florida's Lifeline participation does not reach the same levels of subscribership as in other states. At this time, the number of Lifeline customers seems to be increasing in Florida.

With approval of this issue, the eligibility standards for Lifeline and Link Up in Florida will include:

- \* programs funded under TANF,
- \* Medicaid,
- \* SSI,
- \* food stamps,
- \* federal public housing assistance (Section 8),
- \* and LIHEAP.

Staff recommends that the successor of AFDC, now called TANF, and programs included under it continue to be used to determine eligibility for Lifeline and Link Up. In addition, staff recommends that

Federal Public Housing Assistance and LIHEAP be added to the eligibility criteria for Lifeline and Link Up. These eligibility standards should be included in tariffs to be effective April 1, 1998.

**ISSUE 4:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no person whose substantial interests are affected files a protest within 21 days of the issuance of the Order, the Order will become final, and this docket should be closed. (MARSH, COX)

**STAFF ANALYSIS:** If the Commission adopts staff's recommendation, any person whose substantial interests are affected will have 21 days from the issuance date of the order to file a timely protest to the Commission's Proposed Agency Action.

As described in the case background, on October 30, 1997, OPC filed a protest of Proposed Agency Action Order No. PSC-97-1262-FOF-TP, and requested a Section 120.57(2) hearing. The petition specifically addresses the \$1.75 of additional Lifeline funding that the FPSC did not approve in its order. On the same issue, the FPSC filed a petition with the FCC asking for clarification of the state matching requirements for that \$1.75. OPC filed comments with the FCC on the FPSC's petition which supported approval of Florida's Lifeline plan as meeting state matching requirements. With the adoption of Issue 1, the matter that was the subject of OPC's petition is resolved. No further matters remain for resolution in this docket, as discussed in Issue 2. Therefore, this docket may be closed upon expiration of the protest period.

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